Special Forces Pension Plan

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED MARCH 31, 1988

Alberta
TREASURY

Special Forces Pension Plan

ANNUAL REPORT

for the fiscal year ended March 31, 1988

90-00326/

Alberta

PROVINCIAL TREASURER
224 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-8809

June 1989

The Honourable Dr. David Carter
Speaker of the Assembly

Sir:

Pursuant to section 4 of the Special Forces Pension Plan Act, being Chapter S-21.1 of the 1985 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Special Forces Pension Plan for the fiscal year ended March 31, 1988.

Respectfully submitted,

Dick Johnston
Provincial Treasurer

Alberta
TREASURY

442 Terrace Building, 9515 - 107 Street, Edmonton, Alberta, Canada T5K 2C3 403/427-4106

June 1989

The Honourable Dick Johnston
Provincial Treasurer

Sir:

In accordance with section 4 of the Special Forces Pension Plan Act, I have the honour to transmit herewith the annual report on the operation of the Special Forces Pension Plan for the fiscal year ended March 31, 1988 to be laid by you before the Legislative Assembly.

The annual report includes a statement of the most recent estimate of the actuarial liabilities of the Plan as required by section 4(2) of the Act.

Respectfully submitted,

A. D. O'Brien
Deputy Provincial Treasurer
Management and Control

TABLE OF CONTENTS

	Page
Introduction	2
Plan Overview	2
Review of Operations	2
Actuarial Liabilities	3
Participation	3
Book Entry Transfers	3
Contributions	3
Refunds	4
Death in Service Benefits	4
Information and Counselling Services	4
Pension Benefits	4
Statement of Receipts and Payments	6
Comparative Statistics	6

Introduction

The Special Forces Pension Plan was established effective April 1, 1979, by the Special Forces Pension Act to provide a contributory pension scheme for police officers employed by Local Authorities in Alberta.

The Special Forces Pension Act was repealed on November 1, 1985 and replaced by the Special Forces Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Special Forces Pension Plan Board was assigned an advisory and appellate role.

Plan Overview

The Special Forces Pension Plan is a contributory defined benefit plan under which combined employee and employer contributions are required to equal 14 per cent of salary. The split in contribution rates between employers and participants is not prescribed by legislation, but is to be negotiated between the Local Authority and the Police Association. The net amount of pension contributions less payments is deposited to or withdrawn from the Pension Fund pursuant to the Pension Fund Act. The income of the Pension Fund accrues to and forms part of the Fund. The Government of Alberta guarantees the payment of all benefits under the Special Forces Pension Plan.

Those members who retire with at least five years of pensionable service are entitled to a pension. There is no mandatory retirement age. Pension benefits are based on two per cent of the highest average pensionable earnings for five consecutive years, times the number of years of pensionable service. If the member has a spouse and has been married to, or lived with, that spouse for at least five years, unless a waiver is signed by the spouse, the member must choose a normal pension. The normal form of a pension is for the life of the member with a five-year guarantee period. On the death of a pensioner 65 per cent of the pension continues to be paid to an eligible spouse for life or until remarriage. On remarriage, as full settlement, the surviving spouse is paid a lump sum payment equal to 24 monthly pension payments. Single members may elect a single life pension which ceases at death regardless of the number of payments made. Alternatively they may choose a 10, 15 or 20 year guarantee period. They may also elect a joint life pension based on their life and that of a nominee.

Normal pensionable age is 60. Members may retire at any time after age 55 if five years of pensionable service has been accumulated, or at any age if at least 25 years of pensionable service has been accrued. The Plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to 65 per cent of the normal pension the member would have been entitled to and in certain cases takes into account the pensionable service that would have accumulated had the member lived to age 60. A beneficiary other than a spouse must accept a lump sum benefit.

Review of Operations

The Special Forces Pension Plan is administered by Alberta Treasury, Payroll and Pensions.

Automation of and improvement to pension plan activities continued during the year although on a reduced scale. Of particular note was the introduction of an automated Notice of Return for employers resulting in more meaningful pension information in an improved format.

Annual statements containing information on pensionable service, contributions and prior service purchased were produced and forwarded to employers for distribution to all active participants in the plan.

Actuarial Liabilities

An independent actuarial valuation carried out at March 31, 1988, estimated the accrued liability of the Special Forces Pension Plan to be $534,187,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 26.5 per cent.

Participation

At March 31, 1988, there were a total of nine employers participating in the Special Forces Pension Plan, 2,520 active contributors and 63 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A listing of the participating employers and the number of participants is provided in the section on Contributions.

Book Entry Transfers

The Special Forces Pension Plan has an agreement with the Local Authorities Pension Plan under which pensionable service and contributions accumulated may be transferred between the two plans.

During the year the sum of $72,642 was transferred from the Local Authorities Plan to the Special Forces Plan. This book entry transfer is not reflected in the Statement of Receipts and Payments.

Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1988.

	Participants At March 31, 1988	Contributions Received		
		Employee	Employer	Total
		$	$	$
City of Calgary	1,189	3,433,575	3,820,658	7,254,233
City of Camrose	20	55,723	60,921	116,644
City of Edmonton	1,110	3,002,614	3,507,401	6,510,015
City of Lethbridge	96	265,702	304,407	570,109
City of Medicine Hat	73	203,830	226,566	430,396
Town of Coaldale	7	14,043	16,437	30,480
Town of Lacombe	9	23,078	22,338	45,416
Town of Redcliff	8	21,508	25,894	47,402
Town of Taber	8	21,310	25,484	46,794
	2,520	7,041,383	8,010,106	15,051,489

Refunds

The following amounts of member contributions and interest were refunded during the year to members terminating employment:

	Number	Amount
		$
Cash	21	235,773
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	20	419,386
	41	655,159

In addition, 33 refunds of excess contributions totalling $7,625 were made to members and employers.

Death in Service Benefits

There were no spousal benefits granted during the year as a result of deaths in service.

Information and Counselling Services

Several information brochures on special interest topics were prepared for participants and a regular information bulletin, Pension News, was prepared for employers.

Pension Benefits

During the year ended March 31, 1988, pension benefits paid totalled $7,461,135, an increase of $1,472,968 (24.6 per cent) over the previous year. A total of 50 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

	1988	1987
Normal Retirement	-	1 (1)
Early Retirement	45 (42)	43 (37)
Partial or Total Disability	5 (1)	2
Death-in-Service (Spousal)	-	2 (1)
	50 (43)	48 (39)

( ) Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or federal Old Age Security (OAS) payments.

Pension options selected by members are as follows:

Member Pensions	At March 31, 1987	New Retirements	Beneficiaries	Deaths	At March 31, 1988
Normal (life with 65% survivor pension)	248	49	2	(2)	297
Single Life	2				2
Guaranteed 10 years	1				1
Guaranteed 15 years	2				2
Guaranteed 20 years	4				4
Joint Life non-reduced		1			1
Spousal Pensions					
Guaranteed 5 years	16	—	—	—	16
Total Pensions	273	50	2	(2)	323
Pensions co-ordinated with CPP and/or OAS	243	43	-	(2)	284

Note: The normal member pension is guaranteed to be paid for a period of at least five years and in the event of the retiree's death, pays the eligible spouse a spousal pension equalling 65 per cent of the deceased retiree's pension for life or until remarriage, as explained in the section on Plan Overview.

The schedule below categorizes the pensions in effect at March 31, 1988, by dollar value of monthly pension.

Dollar Value Per Month	Member Pensions	Spousal Pensions	Total
$ 1 - 999	12	1	13
1,000 - 1,999	139	13	152
2,000 - 2,999	127	2	129
3,000 and over	29	-	29
	307	16	323

Effective January 1, 1988, a cost of living adjustment of 2.5 per cent was granted to those pensioners in receipt of a pension for one year or more with a proportionately smaller increase granted to those retiring during the year.

STATEMENT OF RECEIPTS AND PAYMENTS
YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
RECEIPTS:		
Employee contributions	7,041,383	6,914,302
Employer contributions	8,010,106	7,733,166
Interest on overdue receivables	143	128
Total receipts	15,051,632	14,647,596
PAYMENTS:		
BENEFITS		
Pensions to retired members	7,185,755	5,753,442
Pensions to surviving spouses	252,649	234,725
Lump sums to beneficiaries of deceased employees	22,731	–
	7,461,135	5,988,167
WITHDRAWALS		
Refunds of contributions and interest to terminated members	655,159	376,495
Refunds of excess contributions	7,625	11,358
	662,784	387,853
Total payments	8,123,919	6,376,020
Excess of receipts over payments	6,927,713	8,271,576

Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta Government. Such transfers are detailed under Book Entry Transfers.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five fiscal years:

(000's)

Fiscal Year	RECEIPTS			PAYMENTS			Excess of Receipts over Payments
	Member	Employer	Total	Benefits	With-drawals	Total	
	$	$	$	$	$	$	$
1987/88	7,042	8,010	15,052	7,461	663	8,124	6,928
1986/87	6,915	7,733	14,648	5,988	388	6,376	8,272
1985/86	6,590	7,357	13,947	4,539	345	4,884	9,063
1984/85	6,733	7,584	14,317	3,560	219	3,779	10,538
1983/84	6,392	7,154	13,546	2,788	192	2,980	10,566